

United States Senate

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VETERANS' AFFAIRS

July 27, 2009

Gregg L. Engles
Chief Executive Officer
Dean Foods
2515 McKinney Avenue, Suite 1200
Dallas, Texas 75201

Dear Mr. Engles:

Thank you very much for your letter of July 24. As you mentioned, I look forward to speaking with you on the phone at a mutually convenient time to discuss how we can go forward together to address the financial crisis facing dairy farmers in Vermont and across the country. I also want to invite you and/or other representatives of Dean Foods once again to come to Vermont to meet with dairy farmers and other interested parties to discuss this issue that is so significantly impacting our state.

As we work to arrange those meetings, I did want to respectfully mention that one of the points you make in your letter is simply inaccurate and requires correction. In your letter you state:

As you know, dairy processors do not set the price of milk paid to dairy farmers. The price that farmers receive for the milk they produce is set primarily by the United States Department of Agriculture. Dean Foods purchases this milk at regulated prices under the USDA's Federal Milk Marketing Order.

It is my hope that this was just a poor choice of words rather than an attempt to minimize the role that Dean Foods, the largest processor of fluid milk in the U.S., plays in determining dairy prices.

The truth is that the USDA does not "primarily" set the price for milk and other dairy products. What it does, through the Federal Milk Marketing Orders, is to set the minimum price that dairy farmers can receive, not the maximum. In fact, the price that dairy farmers in Vermont are receiving today is being significantly determined by Dean Foods and other processors. This is especially true when Dean Foods controls some 70 percent of the fluid milk market in New England. To argue that the USDA sets milk prices for farmers would be analogous to arguing that because the federal government establishes a minimum wage for workers, the Department of Labor determines all wages in America. That is obviously not the case.

Dean Foods' significant influence over the price of milk goes beyond its position as a dominant processor. What must also be considered is the exclusive arrangements it has established with dairy cooperatives across the country that limit the ability of dairy farmers to get the best price for their milk on an open and competitive market. By limiting the group of cooperatives from which it will buy milk in New England, Dean Foods is controlling the market on a number of different levels.

As you know, the price that dairy farmers are receiving today is substantially below the cost of production and is now the lowest price they have received, in real dollars, in over 30 years. The result is that dozens of family dairy farms in Vermont have already gone out of business this year and more will shut down in the near future if milk prices are not substantially raised. What people keep asking me in Vermont is how can it be that while milk prices for farmers are so low, the profits at Dean Foods are skyrocketing? People, and not just farmers, are extremely worried that with more and more family farmers going out of business, the concentration of ownership in the dairy industry will only intensify - making it less likely that consumers will be able to purchase fresh, high quality locally produced food.

A meeting with dairy farmers in Vermont would provide an opportunity to discuss all of these issues out in the open and figure out ways we can work together to resolve the current crisis and create long-term stability for dairy farmers. Once again, thank you for your letter and I look forward to speaking with you in the near future.

Sincerely,



BERNARD SANDERS
United States Senator